

EXHIBIT 41

1
2 IN THE UNITED STATES DISTRICT COURT

3 FOR THE DISTRICT OF PUERTO RICO

4 _____x
In re:

5 THE FINANCIAL OVERSIGHT AND
6 MANAGEMENT BOARD FOR PUERTO
7 RICO,

PROMESA

Title III

as representative of

8 THE COMMONWEALTH OF PUERTO RICO,
9 et al.,

Debtors.

_____x
10 In re:

11 THE FINANCIAL OVERSIGHT AND
12 MANAGEMENT BOARD OF PUERTO RICO,

PROMESA

Case No.

17 BK 4780-LTS

13 as representative of

14 PUERTO RICO ELECTRIC POWER AUTHORITY,
15 Debtor.

_____x
16 (Caption continued on following page.)

17 * P R O F E S S I O N A L E Y E S O N L Y *

18 VIDEOTAPED DEPOSITION

19 OF

20 FREDERIC CHAPADOS

21 New York, New York

22 Monday, October 7, 2019

23
24 Reported by:

ANNETTE ARLEQUIN, CCR, RPR, CRR, CLR

25 JOB NO. 169099

Page 66

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 67

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 68

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 69

1

F. Chapados - Professional Eyes Only

[REDACTED]

15 Q. When you say "not attempted to do
16 that," do you mean not attempted to
17 privatize or not attempted to analyze it?

18 A. Well, we are currently in the
19 midst of selecting a private operator and
20 running a process to select a private
21 operator for the T&D grid. So the two --
22 we have not been in a situation where we
23 are not doing that on the T&D grid --

24 Q. Okay.

25 A. -- and have only focused on the

18 (Pages 66 to 69)

Page 70

1 F. Chapados - Professional Eyes Only
2 generation assets.
3 Q. Okay. Was it considered early on
4 by Citi?
5 A. Was what considered early on?
6 Q. Just engaging in a potential
7 privatization without engaging in an
8 operator for the T&D assets?
9 A. The objective of the former
10 governor was to do both. And, therefore,
11 we have been running the two together.
12 Q. But as I understand what you've
13 just said, that's changed and it's now just
14 the operating agreement for the T&D assets
15 and not the privatization?
16 MS. SPILLANE: Objection to form.
17 A. Can you clarify that?
18 Q. Sure.
19 I thought I heard you say,
20 correct me if I'm wrong, that the former
21 governor's vision was to do both, have an
22 operator over the power transmission
23 distribution assets and privatize the power
24 generation assets.
25 Did I understand you correctly?

Page 71

1 F. Chapados - Professional Eyes Only
2 A. That is. That was his vision.
3 Q. That was his vision.
4 What I'm asking you is, the
5 implementation today is simply the power
6 and transmission distribution asset
7 operating agreement without the
8 privatization aspect involving the
9 company's power-generation assets?
10 A. I did not say that.
11 Q. Okay. So tell me what's going on
12 then with respect to privatizing the
13 company's power-generation assets.
14 MS. SPILLANE: Objection to form.
15 A. Can you clarify your question?
16 Q. Well, I thought you said, when I
17 asked you directly, that you did not say --
18 that you were not engaged in a potential
19 privatization involving the company's
20 power-generation assets.
21 A. Let me clarify.
22 Citi is involved in both, you
23 know, running a process to select a T&D
24 operator, as well as working on potential
25 alternatives for PREPA's existing

Page 72

1 F. Chapados - Professional Eyes Only
2 power-generating assets. We are doing both
3 concurrently.

Page 73

1 F. Chapados - Professional Eyes Only

1 F. Chapados - Professional Eyes Only

5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 Q. Okay. I just want to talk about
10 the sale or the -- I'm sorry, the
11 privatization of the power-generation
12 assets.

13 A. Privatization could mean a
14 variety of things. It's not --

15 Q. Okay. What's it mean -- I'm
16 sorry. Go ahead.

17 A. It is not necessarily the
18 outright sale of an asset. It could also
19 include private operation of that asset,
20 like we are doing on the T&D system.

21 Q. Okay. Other than the sale and
22 the private operation, does privatization
23 mean anything else to you?

24 A. Those are the two things we have
25 always been focused on.

26 Q. Are you utilizing the same skills
27 in advising on potential operating
28 agreement of the T&D assets as with the
29 sale or privatization of the

1 F. Chapados - Professional Eyes Only
2 power-generation assets?

3 MS. SPILLANE: Objection to form.

4 A. Can you clarify your question?

5 Q. Sure.

6 You were involved personally with
7 respect to providing FOMB advice on the
8 operating agreement with respect to PREPA's
9 power transmission and distribution assets,
10 correct?

11 A. Correct.

12 Q. You were also personally involved
13 in providing advice on behalf of Citi to
14 the FOMB regarding the potential
15 privatization involving PREPA's
16 power-generation assets?

17 A. Yes.

18 Q. Okay. What I'm asking is, do you
19 apply the same skills with respect to each
20 aspect of the transaction or different
21 skills?

22 A. They are broadly the same skills.

23 Q. Okay. Are there any specific
24 skills that are different?

25 A. There are simply different, you

1 F. Chapados - Professional Eyes Only
2 know, potential operators of a T&D asset
3 versus operator of a generation asset. The
4 eventual counterparties are different, and
5 so I would characterize that as slightly
6 different skills and knowing who is doing
7 what.

8 MR. ARASTIA: Okay.

9 Mr. Chapados, would you like to take a
10 five-minute break?

11 THE WITNESS: Sure.

12 MR. ARASTIA: Okay. Could we
13 take a five-minute break?

14 THE VIDEOGRAPHER: The time is
15 10:48 a.m. We are going off the record.
16 (Recess is taken.)

17 THE VIDEOGRAPHER: The time is
18 11:00 a.m. We are on the record.

19 BY MR. ARASTIA:

20 Q. Mr. Chapados, continuing with
21 this issue, are you familiar with a draft
22 agreement that was provided to potential
23 operators with the name Puerto Rico
24 Transmission and Distribution System
25 Operation and Maintenance Agreement?

1 F. Chapados - Professional Eyes Only

2 A. I am.

3 Q. Do you know what's in that
4 document?

5 MR. MASHBERG: Object to form.

6 A. It is the broad contract at which
7 an operator would operate under.

8 Q. And that has to do specifically
9 with the transmission and distribution
10 assets?

11 A. Correct.

12 Q. Is there any mention in that
13 document that you're aware of with respect
14 to the privatization of the
15 power-generation assets?

16 A. That document outlines potential
17 interactions between the operator and all
18 generators on the island.

19 Q. Can you tell me, based on your
20 recollection, what that outline entails?

21 MS. SPILLANE: Objection to form.

22 A. Generally speaking, as I've
23 mentioned, you know, the operator will be
24 responsible for dispatching the generation
25 units. They will also be responsible for

Page 210

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 211

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 212

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 213

1

F. Chapados - Professional Eyes Only

[REDACTED]

54 (Pages 210 to 213)

Page 214

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 215

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 216

1

F. Chapados - Professional Eyes Only

[REDACTED]

Page 217

1

F. Chapados - Professional Eyes Only

[REDACTED]

20

Q. Okay. Are any of the T&D potential operators, are they also being approached with respect to the privatization of the power-generating assets?

21

22

23

24

25

A. It is my understanding under Act

Page 218

1 F. Chapados - Professional Eyes Only
2 120 in Puerto Rico that their -- the
3 intention of legislature is to have a clear
4 separation between the T&D operator and the
5 owner/operator of the generation assets.

6 Q. So in other words, anybody that's
7 already involved in the potential
8 transformation as far as an operator goes
9 can't be involved in the power-generating
10 privatization?

11 MR. MASHBERG: Objection to form.

12 MS. SPILLANE: Objection to form.

13 A. Can you clarify your question?

14 Q. Sure.

15 As I understand what you just
16 said, there has to be a clear distinction
17 between the T&D asset operator and whomever
18 or whatever entity privatizes or transforms
19 the power-generation assets.

20 Is that your understanding?

21 A. That is my understanding based on
22 Act 120, yes.

23 Q. So based on your understanding,
24 would it be fair to say that anybody that
25 would become involved potentially in the

Page 219

1 F. Chapados - Professional Eyes Only
2 transformation of the power-generating
3 assets would be someone other than these
4 entities that what we have defined as
5 potential operators?

6 MR. NATBONY: Objection to the
7 form.

8 MR. MASHBERG: Objection to form.

9 MS. SPILLANE: Objection.

10 A. That is a correct statement.

11 MR. ARASTIA: Let me take a
12 minute. I might be done, but I want to
13 look at a couple of things.

14 MS. SPILLANE: Of course.

15 THE VIDEOGRAPHER: The time is
16 3:07 p.m. We are going off the record.
17 (Recess is taken.)

18 THE VIDEOGRAPHER: The time is
19 3:14 p.m. We are on the record.

20 BY MR. ARASTIA:

Page 220

1 F. Chapados - Professional Eyes Only

Page 221

1 F. Chapados - Professional Eyes Only